United States
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Foreign Agriculture

Unfolding Opportunity in the Japanese Market

Marketing News

Soviet and U.S. Veterinarians Sign Health Agreement

Veterinary officials from the United States and the Soviet Union have successfully negotiated a new agreement that will permit Soviet imports of cattle, semen and embryos from the United States. This agreement is the result of a two-year effort aimed at opening the Soviet market by the U.S. Department of Agriculture (USDA) and the Holstein Association.

In recent years, the Soviet Union has imported no embryos and only limited quantities of semen and cattle from all sources, primarily because of prohibitive import health requirements. To counter the problems that these regulations presented U.S. exporters, the Holstein Association invited a Soviet veterinary delegation to the United States for a technical study tour of the U.S. dairy industry. Following a series of successful negotiations at USDA, the high-level team viewed a USDA quarantine center in Pennsylvania, embryo transfer and artificial insemination centers, the National Animal Disease Center and Veterinary Laboratory in Ames, Iowa, the University of Wisconsin's veterinary school, a Vermont Holstein farm and the Holstein Association's headquarters in Brattleboro, Vermont.

The new import health requirements represent significant progress in U.S.-USSR veterinary relations. Soviet authorities have agreed to recognize many of the official regulatory programs conducted by USDA to ensure the movement of healthy genetics.

Feed Grain Council Sponsors Feed Projects in Tunisia

The U.S. Feed Grains Council is capitalizing on the priority status the Tunisian government has given to increasing the production of its livestock sectors. During 1987, the Council began sponsoring feed trial projects aimed at improving production of Tunisian beef, cattle and lamb. In Poulina, Tunisia's largest broiler and egg producing area, a feeding trial is underway to increase poultry production. In a further effort to increase broiler production, 42 tons of U.S. grain sorghum for feed were imported in December 1987 under the Targeted Export Assistance program. If these projects are successful, the United States will benefit from increased foreign use of large quantities of U.S. soybean meal, grain sorghum and other livestock feed ingredients.

Hotel Promotes U.S. Food in Malaysia

Growing tourism and the population boom in Johor Bahru, Malaysia—from 450,000 to 1 million people in the past three years—provided the background for a local Holiday Inn's promotion of U.S. foods last winter. The hotel, in cooperation with the U.S. Agricultural Trade Office in Singapore and U.S. market development cooperators, offered a buffet featuring U.S. poultry, beef, potatoes, corn and cling peaches. The hotel's deli shop also offered a variety of take-away items featuring peaches. On Christmas Eve, the hotel offered a special menu, featuring a choice of U.S. turkey or beef, in addition to other traditional holiday fare.

The month-long promotion was so successful that management requested a repeat promotion, according to the agricultural trade officer. U.S. beef, peaches and potatoes, which previously were not offered at the hotel, now are selling regularly. Other items which were already available have increased in volume.

U.S. Steakhouse in Netherlands Features Braille Menu

A U.S.-style steakhouse in the Netherlands is offering a new service to its blind patrons—braille menu cards. According to the U.S. Meat Export Federation, the card, which provides information about the cut and origin of the meat, enables blind customers to make their own menu selections.

"I have had a lot of blind people in my restaurant who were very surprised and happy about this," said the owner of the steakhouse. The U.S. embassy in the Hague plans to feature the braille card at the Horecava trade fair in Amsterdam next January.

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U.S. Export Future Bright in Land of the Rising Sun

*In a recent study of the best market prospects for U.S. agricultural products over the next three to five years, the Foreign Agricultural Service ranked Japan as the top market. (See **Foreign Agriculture,** February 1988.) This month, Suzanne Hale, U.S. Agricultural Trade Officer in Tokyo, talks with **Foreign Agriculture** about the potential for U.S. products in the promising Japanese market.*

Foreign Agriculture: What is the size of the Japanese market for agricultural products?

Hale: In 1987, Japan imported $20 billion worth of agricultural commodities, with the United States accounting for $6.7 billion of this amount. Using U.S. export data, U.S. agricultural exports to Japan reached $5.7 billion in 1987, or about 20 percent of all U.S. agricultural exports, making Japan the single largest foreign buyer of U.S. farm products.

FA: Who are the main competitors for the Japanese market?

Hale: It depends on the product. For grains, it's Australia, Canada and Argentina. For wines, it's Europe—primarily France and West Germany. For processed food products, it's the European Community. For chicken, it's Thailand. For pork, it's Denmark and Taiwan. You can see that Japan trades with many countries.

FA: How would you describe Japanese consumers?

Hale: They are becoming much more adventuresome, particularly younger people. Older people are still fairly traditional in their eating habits, but younger people enjoy eating out and trying new food.

As a result, there is a tremendous variety of ethnic restaurants in Japan. Italian food is popular right now. A few Mexican restaurants are opening. There are a lot of opportunities in the market for traditional western-style foods as well.

Sheila Phalon

FA: Is there an increase in the health consciousness of Japanese consumers?

Hale: Japanese consumers are the same as U.S. consumers in this regard. There is a lot of interest in the relationship between diet and health and exercise. As a result, we're seeing an increase in consumption of fresh produce and other products that contribute to a nutritious, well-balanced diet.

FA: What other food trends are you seeing in Japan?

Hale: More than half of the Japanese women work. There is, therefore, a growing interest in convenience foods.

There is another segment of the Japanese market that presents an increasing demand for convenience foods—men who live alone. If a husband is transferred in his job, the family often will stay in Tokyo so the children's education isn't disrupted. The husband will live by himself and often relies heavily on convenience foods.

FA: Have these changes influenced your market development strategy?

Hale: Yes. We are now putting more emphasis on high-value products than we did in the past. We also are interested in the growing food service market, which is becoming more westernized. (See article on Japan's food service industry on page 6.)

FA: The U.S. agricultural trade office opened in Tokyo in 1986. How has this service helped U.S. exporters?

Hale: In general, the office provides U.S. exporters with better facilities than they had in the past. Now U.S. firms can conduct seminars and tastings to introduce products to new importers. The office also is being used for technical seminars and news conferences. We also have a trade library so we are able to provide more information on U.S. products and firms to Japanese importers.

The timing of the opening of the new agricultural trade office turned out to be excellent. With the stronger yen, Japanese distributors are now much more interested in importing U.S. foods.

The number of visitors we had in the first six months after the trade office opened was five or six times greater than the same period the year before. We also are seeing a lot more interest in the Japanese market on the part of U.S. exporters.

FA: A number of U.S. cooperators are working jointly with the Foreign Agricultural Service using Targeted Export Assistance program funds. How has the program helped their efforts?

Hale: This is the first time we have been able to do large-scale consumer promotions in Japan. As a result, consumers are more familiar with U.S. products. The TEA promotions also have helped expand distribution since stores and wholesalers have been more willing to feature U.S. products now that they are backed by promotional campaigns.

FA: What are the biggest roadblocks that exporters face in the Japanese market?

Hale: Obviously, quotas hurt U.S. sales. U.S. negotiators are working hard to reach agreement with Japanese officials to remove restrictive quotas. Differences in food additive regulations can sometimes be a problem, but many U.S. manufacturers have been able to ship to Japan by reformulating their products if necessary.

Another difficulty for U.S. companies is that Japanese consumers are used to high-quality packaging. A few U.S. companies have developed special packaging for Japan, but much more could be done.

FA: What tips would you give to U.S. exporters who want to work in this market?

Hale: Carefully choose a partner or partners to work with in Japan. Visit and study the market. Keep in touch with customers, try to understand their needs and be flexible in meeting those needs. Above all, be patient. Japan is a big market. ■

Solving the Japanese Food Service Industry Puzzle

Sheila Phalon

By Larry Blagg

Although the Japanese food service industry remains a mystery to many U.S. exporters, some have found a niche in this fast-growing industry through homework and hard work.

Today there are over 1 million food service outlets in Japan compared to 600,000 in the United States. Japan has one restaurant for every 117 people while the ratio in the United States is one for every 400 people.

Since 1980, the Japanese food service industry has grown nearly 50 percent—from 15.8 trillion yen (US$69.6 billion) to 23.3 trillion yen (US$163 billion). The annual growth rate of 5.7 percent is about 1 percent ahead of Japan's gross national product.

Several factors, including rising disposable income, more women working outside the home, smaller households and an increase in the number of single people, have contributed to this growth.

Industry Has Three Sectors

Japan's food service industry is made up of three sectors—the food sector, the beverage sector and take-out meals.

The food sector represents 66 percent of the total food service industry. It includes restaurants, inns and hotels and cafeterias in schools, offices and hospitals. In this category, hospital cafeterias and restaurants have the highest growth rate forecast through 1992, 6 and 5.9 percent, respectively.

Coffee shops, beer halls and bars make up the beverage sector which accounts for about a fourth of the total industry. Bars, nightclubs and beer halls are forecast to grow 5.1 percent through 1992.

Take-out meals account for the remaining 8 percent of the food service industry. This category includes home delivery operations and bentos, the traditional Japanese box lunches. This category is forecast to grow 6 percent through 1992.

Western-Style Food Is Popular

Western-style fast-food and family restaurants have grown in popularity over the past 15 years, offering good opportunities to U.S. suppliers. In 1986, these restaurants had sales of $12 billion and growth is expected to be strong through 1992.

According to Japanese government statistics, consumption of two traditional mainstays of the Japanese diet, rice and soybean paste or miso, have declined 22 percent and 25 percent, respectively.

On the other hand, 25 percent of the respondents in a recent survey chose western-style food for lunch and 29 percent chose it for dinner. Five years ago, those numbers were 18 and 21 percent, respectively, which indicates a fairly strong shift toward western-style eating.

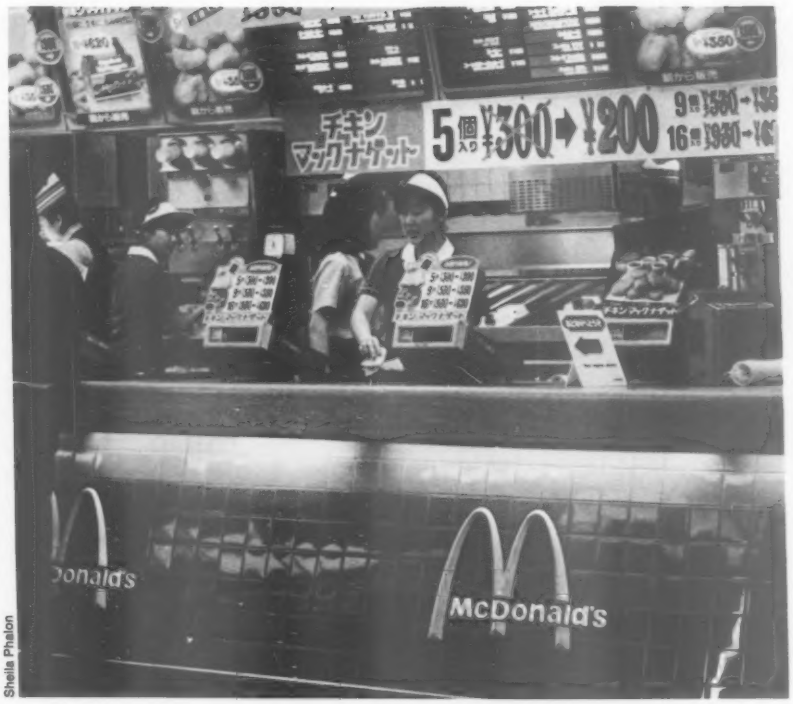
As a result, meat consumption is up 87 percent, consumption of starches such as pasta is up 77 percent and vegetable oil consumption is up 56 percent.

Demand for U.S. meat and poultry products remains high. Interviews with Japanese food service industry representatives indicate that the meat products in demand range from portion cut beef steaks and roasts to summer sausages and pepperoni.

U.S. exports of poultry products have doubled in the past two years and the United States now supplies 28 percent of Japan's total imports of meat and poultry products.

Fruits and nuts are also in high demand. The food service industry shows strong interest in oranges, grapefruit, table grapes and fresh cherries, as well as almonds and pistachios.

Juices, beer and wine also show promise in the Japanese market. U.S. production costs are low enough to make U.S. juices attractive to Japanese buyers. Beer is the second most popular alcoholic beverage consumed in Japan—behind sake—and promotion efforts for California wines have created an interest in U.S. wines in general.



Sheila Phalon

Other high-value products with growth potential are breakfast cereals, salad dressings, sauces—especially hot and spicy—and popcorn.

Adapting to the Market

Many U.S. exporters have had to learn the hard way that products that sell well in the U.S. market may not do well in Japan. Before exporting, U.S. processors should determine whether the taste of their products and cooking methods are acceptable in the Japanese market. This can be accomplished through tests with Japanese chefs, consumer panels and cooking schools.

U.S. processors also may have to package their products in smaller sizes to accommodate limited storage capacity in Japanese stores and homes.

Packaging also may have to be changed due to use of the metric system and the fact that the Japanese prefer smaller serving sizes. A survey of 26 food service items showed U.S. portions to be 55 percent larger on average.

Understanding the Distribution System

Most products from U.S. processors pass through four handlers before arriving at Japanese warehouses or shops—a route that is about twice as long as that in the U.S. system.

First is the U.S. trading company, followed by the specialty importer or trading company in Japan. The third is the primary wholesaler followed by the secondary wholesaler who then transfers the product to the end user.

About 80 to 90 percent of all foodstuffs exported to Japan are sold to major trading companies or specialty exporters and importers. These companies take title to the goods in the United States, thereby reducing financial risk for the exporter.

Trading companies also help U.S. exporters by providing an opportunity to gain distribution through their affiliated wholesalers. Trading companies advise on packaging, provide local warehousing, promote products at trade shows and provide general business counseling.

Promoting Products in Japan

Marketing costs for the food service industry are about 5 to 8 percent of gross sales. Promotion costs for retail products are much higher—12 to 15 percent of gross sales.

To get established in the Japanese market, participation in industry-wide food shows such as FOODEX, the Foodservice Industry Fair and the Japan Food Service Show is practically a must. U.S. processors also may want to participate in local events such as wholesaler shows.

Promotional materials such as menu suggestions and recipe booklets should include nutritional data and be translated into Japanese.

Tackling the Japanese Market

As with any market, there are several steps exporters can follow to help get their foot in the door.

—Learn how potential clients do business. Do they have a chain of restaurants? What foods are on the menu? What are the most popular menu items?

—Visit U.S. government agencies such as the U.S. Department of Agriculture. In Japan, the U.S. agricultural trade office can provide data that will help in marketing products.

—Visit the Japan External Trade Organization (JETRO) for information on a product's potential and general information on the Japanese market. JETRO has offices in New York, Chicago, Houston, Los Angeles, San Francisco, Atlanta, Denver and Puerto Rico. (See box for addresses.)

—Talk to trading companies that handle different types of products to learn more about market potential.

—Develop contacts with potential customers such as the major chain restaurants and hotels. They can help determine sales potential and provide product specifications.

—Be willing to reformulate and/or repackage products if necessary to meet the needs of Japanese customers.

—Talk directly to both primary and secondary food service wholesalers to learn how they operate.

—Visit shipping companies and freight forwarders. They can help get products through customs and to their final destination in the fastest, most economical way.

—Try to tour a competitor's factory to learn about the strengths and weaknesses of the competition.

—Talk to advertising agencies adept at food product advertising to learn more about the Japanese market.

Visit market research companies that have experience in food product testing to learn about a product's market potential.

—Talk to marketing consultants with experience in the food industry to gather background information.

—Be patient and keep in contact with Japanese companies which have shown interest in your products, even if they do not make immediate purchases. ■

The author is the managing director of Market Makers, Inc., Tokyo, Japan, a consulting firm specializing in Japanese market development for U.S. food processors. The article is based on a study prepared for the Foreign Agricultural Service. Copies of the 380-page study are available through the U.S. agricultural trade office in Tokyo. To order, send a check for $45 made out to the "U.S. Embassy Tokyo" to U.S. Agricultural Trade Officer (Tokyo), U.S. Agricultural Trade Office, Box 226, U.S. Embassy, APO San Francisco, CA 96503.

Useful Addresses

The following is a list of U.S. offices for the Japan External Trade Organization (JETRO).

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1221 Avenue of the Americas
44th Floor
New York, NY 10020
Tel. (212) 997-0400

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Chicago, IL 60611
Tel. (312) 527-9000

JETRO, Houston
1221 McKinney
One Houston Center
Suite 1810
Houston, TX 77010
Tel. (713) 759-9595

JETRO, Dallas
World Trade Center
1st Floor
2100 Stemmous Freeway
Dallas, TX 75258
Tel. (214) 651-1831

JETRO, Los Angeles
725 S. Figueroa St.
Suite 1890
Los Angeles, CA 90017
Tel. (213) 624-8855

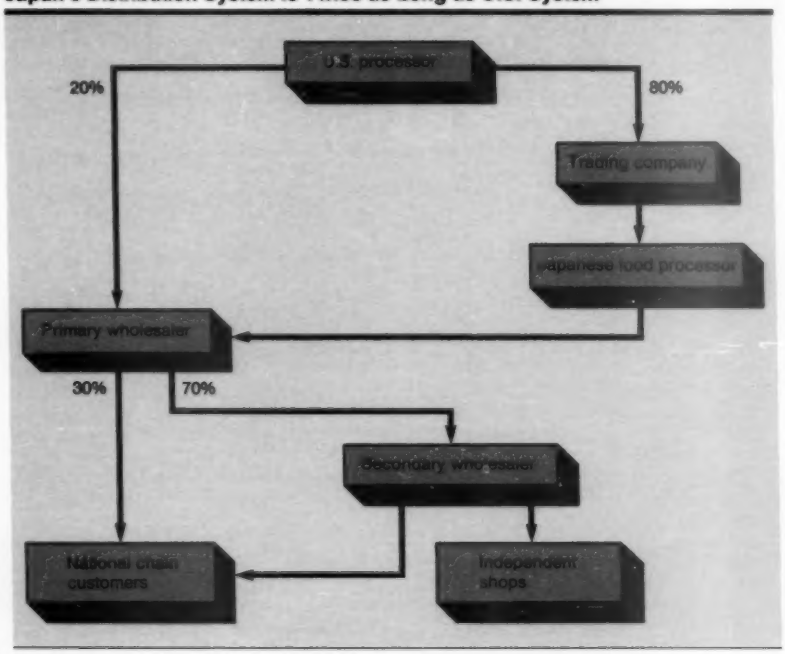
JETRO, San Francisco
Qantas Building, Suite 501
360 Post St.
San Francisco, CA 94108
Tel. (415) 392-1333

JETRO, Atlanta
229 Peachtree St., N.E.
Suite 2011
Atlanta, GA 30303
Tel. (404) 681-0600

JETRO, Denver
1200 Seventeenth St.
Suite 1410
Denver, CO 80202
Tel. (303) 629-0404

JETRO, Puerto Rico
Carr. 108, K M 35
Maradero URB
Bellas Lamas, Mayaguez
Puerto Rico
Tel. Mayaguez 832-0861

Japan's Distribution System Is Twice as Long as U.S. System



U.S. Exporters Strive To Make U.S. Meat the Choice of Japan

Sheila Phalon

The Japanese have a long way to go before meat and potatoes are on the table every day, but if the U.S. Meat Export Federation (MEF) has its way, at least more sukiyaki and other traditional dishes will be made with U.S. meat in the future.

Increasing Japanese demand for U.S. meat is the goal of MEF's promotion efforts in that country, according to Philip M. Seng, vice president of international programs for MEF. Currently, U.S. red meat sales to Japan are averaging $500 million a year, but studies show that exports could triple if some complicated issues can be resolved.

"The import quota is the most visible obstacle," he said. "The Japanese government maintains a quota to limit the supply of imported beef in an attempt to encourage self-sufficiency in meat production and to protect the income of domestic beef producers. In 1987, the quota was announced at 177,000 metric tons, but later in the year was raised to 214,000 tons."

The distribution system is another large hurdle, according to Seng, because it is so complex and has so many layers.

"A third problem is that Japanese consumers are not familiar with U.S. meat," he said. "In Japan, meat is sold as 'imported meat' so consumers can't distinguish U.S. meat from that of our competitors."

Educating Consumers Essential

To counteract these problems, MEF is using funds from the Targeted Export Assistance (TEA) program for media advertising, sales promotions and seminars to communicate information about the quality of U.S. meats to Japanese consumers. It also uses advertising to discuss trade barriers such as the Japanese meat import quota.

"Our research showed that nearly three-quarters of Japanese consumers were not aware of the beef import quota," Seng said. "And of the one-quarter aware of the quota, more than 80 percent favored its removal. That prompted us into thinking we can do much to educate consumers about the quotas."

"We also want to establish a brand identity so consumers can recognize the taste of our product," Seng said. "Cattle from Australia—our major competitor—is grass fed, which gives the beef a completely different texture, color and taste."

Advertising Campaigns Pay Off

Seng said the advertising was done in two stages. "First, we stressed the flavor and texture of U.S. beef," he said. "Then we asked 'Why does the Japanese government have an import quota and why is beef so expensive in Japan?"

As a result of these campaigns, more Japanese are aware of the quota and the complicated distribution system that also affects beef prices, he said.

In addition to advertising, MEF also promotes U.S. meats by sponsoring over 3,000 sales promotions each year in cooperation with the Japanese meat trade. Last year, the Federation conducted 45 cutting seminars for the meat trade along with seminars aimed at consumers. A recipe book was developed to provide consumers with nutritional information about U.S. beef.

Exports Show Promise

Seng points to three trends that indicate the MEF is meeting its goal of increasing the demand for meat in Japan.

"We are selling cuts of meat that we've never sold at such high prices in this market, like outside skirts and hanging tenders," he said. "These items would sell at about $1.00 a pound in the United States. In Japan, they are selling for $3.50 a pound. This shows there is a real demand for meat of all cuts and quality."

Another sign is the threefold increase in Japan's imports of live cattle which are not subject to a quota. "Consumer demand for meat is so strong that importers are circumventing the quota and buying live animals to be slaughtered in Japan," he explained.

Finally, in 1987 the Japanese government announced a 37,000-ton increase in the quota. "This was unprecendented," Seng said. "The government has never announced an increase in the overall quota with no negotiations. However, increasing demand made prices higher than the government-set limits, so more product was allowed to enter."

MEF will continut building on its promotional efforts, Seng said. He's optimistic that the organization's efforts, the falling value of the dollar and a successful negotiation of trade issues will mean greater success for the U.S. meat industry in the Japanese market. ■

Japan in the Pink Over California Wines

Getting the Japanese to switch from sake to grape wine is no easy task, but the Wine Institute has set out to prove that California's "sunshine in a glass" is the perfect complement to sushi and tempura.

Through a promotional program ranging from media advertisements to wine tastings, the Institute, which represents about 575 California wineries, is trying to convince the Japanese that California wine is just as enjoyable as wines from France and West Germany.

Akira Kitagawa, marketing manager for the Wine Institute in Japan, said that U.S. wines are showing steady growth and are now ranked third behind wines from France and West Germany in Japanese imports.

TEA Program Pays Off

With support from the U.S. Department of Agriculture's Targeted Export Assistance (TEA) program, the Wine Institute has launched a program to promote California wines in Japan. California has an appeal among Japan's younger generation and consumers enjoy the light taste of U.S. wines. Also, the Japanese find that U.S. wine labels are easier to understand than those on European wines.

As a result of activities funded by the TEA program, Japan's imports of California wines grew by 197 percent in 1986 and 174 percent in 1987, Kitagawa said. For the same years, total imports of wine by Japan grew 84 percent and 172 percent, respectively. As a result, in 1987, U.S. wines accounted for 16 percent of Japanese wine imports, up from 7 percent in 1985.

Educating Consumers Top Priority

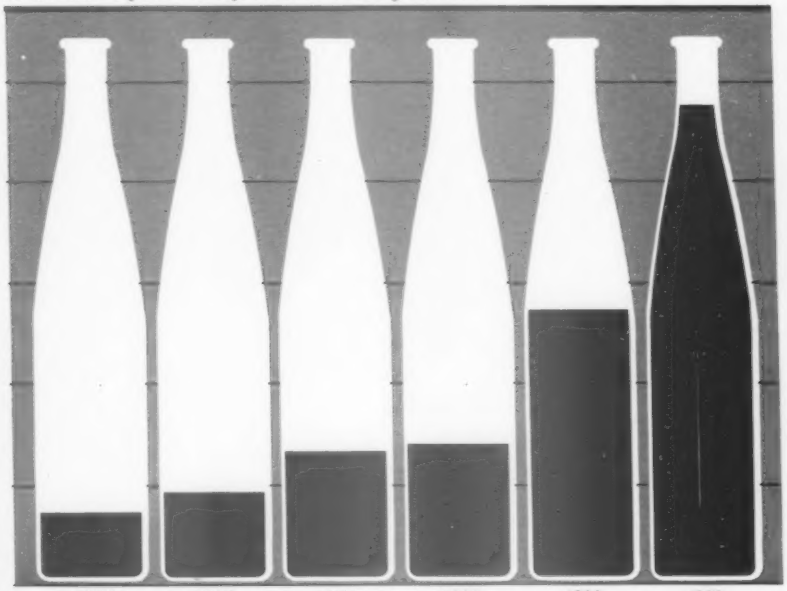
While promotional activities have resulted in increased sales, most Japanese still have a lot to learn about wine, particularly California wine, Kitagawa said.

"If you shop in Tokyo, you will find books on French, German and Italian wines, but not California wines," he said.

"Japanese consumers enjoy drinking liquors at bars and restaurants, but grape wine is not the drink of choice," Kitagawa said. Beer and sake account for 85 percent of all liquor consumed in Japan. Wine accounts for only 1 percent.

To educate consumers, the Institute conducts tasting receptions and sponsors wine seminars featuring respected wine authorities. The seminars teach consumers how to select, taste and store wines.

U.S. Wine Exports to Japan Show Steady Growth



	1982	1983	1984	1985	1986	1987
Liters	752,331	960,481	1,332,789	1,402,821	2,755,968	4,781,821

Campaign Emphasizes the Differences

"One of the main obstacles we have to overcome in this market is consumers' preference for French wines," Kitagawa said. "Japanese consumers think French wines are the best, regardless of the price or variety."

To overcome that bias, the Wine Institute conducts promotions that emphasize the differences between California wines and wines from other countries.

Most European wine companies promote their wines in the fall. When the Institute conducts its California wine campaign in May, it has the market to itself, Kitagawa said.

The Institute also conducts a major promotional campaign in the spring for white zinfandel wine, a blush wine that is produced only in California. In Japan, the color pink means good fortune so the Institute's promotion targets weddings and graduations.

Promotions of other varietal types of wine occur in the winter months. The Institute concentrates these promotions in the Kanto and Kansai areas of Japan. These two areas, which include the cities of Tokyo and Osaka, account for over 60 percent of Japanese wine purchases, in terms of both volume and value.

According to Kitagawa, it will take five to 10 years before wine—especially California wine—is the drink of choice among Japanese consumers. But Kitagawa is optimistic.

"Japan has great potential for increasing consumption," he said. "I believe that U.S. wine exports to Japan will increase as the Japanese travel outside their country and become more familiar with it." ■

Food Shows Offer Pearls of Opportunity In the Japanese Market

Changing diets and the strength of its currency make Japan the top market prospect for U.S. agricultural products. But Japan's complex import regulations and its distance from the United States may make U.S. exporters reluctant to test the waters. Food exhibitions offer U.S. firms a convenient opportunity to exhibit products and establish contacts in the Japanese market.

The Foreign Agricultural Service (FAS) coordinates U.S. national pavilions at major international exhibitions and can help exhibitors with details such as obtaining a booth, advance publicity, product shipment, customs clearance, interpreters and demonstrators.

FAS occasionally sponsors shows solely for U.S. firms in a market that the agency considers a top prospect. In Japan, FAS is sponsoring "U.S. Food Shop '88," a trade exhibition which will take place in Tokyo August 30-September 1. U.S. firms will exhibit their products to more than 3,000 buyers from supermarket and restaurant chains, department stores, hotels, wholesalers and importers.

The purpose of the show is to take advantage of Japanese economic conditions which are creating opportunities for increased sales of U.S. food products, according to Suzanne Hale, U.S. agricultural trade officer in Tokyo.

"Over the past three years, the value of the dollar has fallen 50 percent compared to the yen," she said. "Japanese distributors often have been slow to pass along these decreases, so Japanese supermarkets, wholesalers and food service chains increasingly are interested in direct imports of U.S. products."

Record-Setting Year for FOODEX

Interest among Japanese buyers was high at FOODEX '88, according to Hale. FOODEX, the largest food and beverage exhibition in Asia, is held every March in Tokyo. This year's show tallied a record 142,000 visitors and the 60 U.S. exhibitors achieved a significant increase in average on-site sales per booth.

Average sales were $213,000 per booth, up from $67,000 in 1987, according to Hale. Projected sales for the next 12 months are estimated at $300 million—four times higher than last year's estimate.

U.S. beef, turkey, canned goods, nuts and popcorn registered particularly strong sales. Hale attributes the increased sales to the strong yen and the wide variety of U.S. products offered at the show.

"Japan is a lucrative market and FOODEX is the premier showcase for introducing food products in Japan," Hale said. "This year's show featured a wide variety of U.S. products, from artichokes to wine, and gave Japanese buyers a good picture of the range of products that the U.S. food industry has to offer."

Showcase for New Products

Many U.S. exhibitors agree that participating in a food exhibition is a good way to gain exposure in the Japanese market.

"When you introduce a new product like french fries in the Japanese market, you want as many potential buyers to see your product as possible," said Sandy Squires, export coordinator for the U.S. Potato Board. "At a food show like FOODEX, moire than 100,000 people will see your product in five days. There's no other way to gain that amount of exposure."

For the National Pasta Association, a trade show provides an opportunity to make an initial business contact. "The Association runs the exhibit and develops a list of potential business contacts," said Joseph M. Lichtenberg, president of the group. "After the show, we contact our member firms, who follow up the trade leads."

Trade leads will come easier if potential buyers have an opportunity to sample a product, according to Akira Kitagawa, marketing manager for the Wine Institute in Japan. "Like any good business operator, Japanese importers want to sample products before doing business," he said. "And we want them to taste our wines to show off our products."

For more information on international trade shows or a schedule of upcoming events, contact:
High-Value Products Division
Foreign Agricultural Service
U.S. Department of Agriculture
Room 4649-South Building
Washington, D.C. 20250-1000
Tel. (202) 447-6343. ■

Fact File:

A Summary of Japanese Agriculture and Trade

Area and population (1987): Total area—377,800 square kilometers. Cultivated area—5.3 million hectares (14.1 percent). Number of farms—4.284 million. Average farm size—1.2 hectares. Total population—122.3 million. Working population—59.1 million. Percentage of rural population—15.9 percent. Percentage of population in agriculture—7.5 percent.

National income and population (1987): Gross national product—$2,398 billion. Per capita income—$19,642. Growth in gross national product (1987)—4.1 percent.

Total Foreign Trade

	1982-86	1986	1987
	In billion U.S. dollars		
Total imports from all countries	130.2	126.4	149.5
Total exports to all countries	168.1	209.2	229.2
Balance of trade	37.9	82.8	79.7
Total imports from U.S.	26.1	29.1	31.5
Total exports to U.S.	57.0	80.5	83.6
Balance of trade with U.S.	30.9	51.4	52.1
	In percent		
Total imports from U.S.	20	23	21.1
Total exports to U.S.	33.9	38.5	36.5

Agricultural Trade[1]

	1982-86	1986	1987
	In million U.S. dollars		
Ag. imports from all countries	21,999	22,453	27,906
Ag. exports to all countries	913	886	1,004
Agricultural balance of trade	-21,086	-21,567	-26,902
Agricultural imports from U.S.	8,074	7,267	9,047
Agricultural exports to U.S.	188	178	236
Ag. balance of trade with U.S.	-7,886	-7,089	-8,811
	In percent		
Agricultural imports from U.S.	36.7	32.4	32.4
Agricultural exports to U.S.	20.6	20.1	23.5

Main agricultural imports (million U.S. dollars) (1987): Logs—$4,348; Lumber—$1,880; Corn—$1,525; Pork—$1,417; Cotton—$1,114; Soybeans—$1,086; Wool/animal hair—$1,039.

Main agricultural exports (million U.S. dollars) (1987): Dried mushrooms—$72; Sweetened forage—$53; Wheat flour—$52; Pig hides and skins—$51.

Agricultural products of export interest (production in metric tons and percentage of self-sufficiency): [2]Dried mushrooms—10,900, 106 percent; wheat flour—4.231 million, 101 percent.

[1]Compiled by Japan's Ministry of Agriculture, Forestry and Fisheries on custom clearance basis, including forest products.
[2]Japan fiscal year 1986 is April 1986-March 1987.

Japanese Agricultural Trade in 1987

Japanese Agricultural Imports

Commodity	Total $ Mil.	U.S. $ Mil.	U.S. Share Percent
Logs	4,348	1,387	32
Lumber	1,880	575	31
Corn	1,525	1,194	78
Pork	1,417	115	8
Cotton, raw	1,114	422	38
Soybeans	1,086	921	85
Wool/animal hair	1,039	11	1
Coffee & prod.	839	19	2
Wood chips	819	291	36
Beef & veal	801	382	48
Wheat	785	425	54
Fruit, noncitrus	669	101	15
Natural rubber	537	11	2
Feed & fodders	531	306	58
Cattle hides	505	409	81
Plywood	485	5	1
Leaf tobacco	481	350	73
Variety meats	446	375	84
Vegetables, fresh & frozen	439	133	30
Sugar & sweeteners	418	8	2
Fruit, citrus	390	383	98
Poultry meat	374	112	30
Bananas, fresh	368	0	0
Sorghum	351	217	62
Rapeseed	329	3	0
Cocoa & prod.	311	43	14
Nuts, incl. roasted	235	107	46
Vegetable oils	191	29	15
Feathers & down	180	3	2
Alcoholic bev.	179	26	15
Cheese & curd	169	5	3
Fibers	166	0	0
Malt	158	5	3
Peanuts & prod.	134	22	16
Barley	133	0	0
Furskins	116	11	10
Meats, processed	115	28	24
Spices	106	1	1
Tea	107	4	4
Other	3,628	608	17
Grand total	**27,906**	**9,047**	**32**

Japanese Agricultural Exports

Commodity	Total $ Mil.	U.S. $ Mil.	U.S. Share Percent
Dried mushrooms	72	7	10
Sweetened forages	53	5	10
Wheat flour	52	1	2
Pig hides & skins	51	0	0
Infant formula	44	0	0
Food preps.	39	18	46
Vegetable seeds	27	3	11
Pears & quinces	25	11	44
Nonalcoholic bev.	23	5	22
Fats/oils, process.	19	0	0
Mikans, fresh	18	2	11
Plywood	17	9	53
Lumber	16	0	0
Red ginseng	13	0	0
Mikans, canned	12	7	58
Instant ramen	9	4	44
Other	514	164	32
Grand total	**1,004**	**238**	**24**

U.S. Nuts Find Opportunities In Japan's Snack Food Market

Capitalizing on consumer demand for healthy snack foods, producers of California almonds and pistachios are finding a niche in the lucrative Japanese market.

More than 100 new almond products were developed by Japanese food manufacturers last year, including exotic snacks as dried sardines and slivered almonds. The snack product is so popular in Japan that sardine manufacturers can hardly keep up with demand.

Creating new products is part of Blue Diamond Growers' marketing strategy to increase almond consumption in the Japanese market, according to Eiichi Fujimoto, a spokesman for the organization formerly known as California Almond Growers Exchange.

"California already provides 99.7 percent of the almonds consumed in Japan," he said. "So our goal is to increase total almond consumption from the current 20,000 metric tons a year."

New Products Mean New Sales

One way to do that, according to Fujimoto, is to develop products that appeal to Japanese consumers. "Consumers in Japan prefer a different type of product than U.S. consumers—from the degree of roasting and the salt content to the appearance of the package," he said. "We have developed new products for the Japanese market such as almonds flavored with soy sauce."

Another Blue Diamond goal is to increase Japanese consumers' familiarity with almonds. Four years ago, Blue Diamond began mailing in-shell almonds to consumers to grow in their gardens. Almond trees also were planted in public parks, botanical gardens and school grounds as part of the "Green Campaign" promotional effort.

"Before the campaign, there were no almond trees or orchards in Japan, so consumers did not know what almond trees looked like," he said. "Now, many consumers are growing almond trees at their homes and are familiar with both the plant and the nut."

A new campaign is aimed at increasing the use of almonds in daily cooking, both in homes and in the food service market. Blue Diamond is using funds from the U.S. Department of Agriculture's Targeted Export Assistance (TEA) program to sponsor three weekly television cooking programs.

With Japan already the second largest market for California almonds, Fujimoto is confident Blue Diamond can continue to build on its 20-year history of success in Japan. "Almonds are becoming more accepted by Japanese consumers," he said.

Pistachios Face Different Problems

California pistachios face a totally different situation in Japan, according to Robert C. Gross, president of the California Pistachio Commission. The Japanese market for pistachios is smaller—about 1,200 to 1,500 tons, with California supplying about 350 tons. Unlike almonds, California pistachios have been promoted in Japan for only two years.

"Some Japanese consumers are familiar with pistachios, even though no pistachios are grown in Japan," Gross said. "We find that about 50 percent of the consumers in a major market like Tokyo have eaten pistachios."

But the biggest difference between almonds and pistachios is that California pistachios face stiff competition from Iranian imports. "Iran historically has been the major exporter to Japan, primarily because of price," Gross said.

Price Gives Iran the Edge

The duty on raw California pistachio entering Japan is 9 percent, 12 percent if the pistachios are roasted, Gross explained. Iranian pistachios, which enter under Japan's Generalized System of Preferences for Developing Countries, are duty-free.

"That duty means that the price for a pound of raw California pistachios will be 25 cents higher than Iranian pistachios," he said. "California's higher shipping and other costs add another 20 to 30 cents a pound, so California pistachios cost about 22 to 30 percent more than Iranian pistachios in Japan. Without the TEA program, we'd be totally out of the Japanese market."

The Commission uses its TEA program to promote California pistachios as a high-quality product. "We tell consumers that they may pay a little more for California pistachios, but they can be assured they will get top quality," Gross said.

Most TEA activities are in-store programs directed to the retail trade and consumers. The Commission supplies point-of-sale materials and in-store demonstrators and works directly with Japanese importers and wholesalers.

"We are promoting pistachios as a snack product," Gross said. "We ran test programs in bars which showed pistachios to be popular. In taste tests, consumers chose pistachios as the best tasting nut."

Gross believes that with the help of the TEA program, California pistachio growers can compete in the Japanese market. "We need to educate consumers about pistachios and the difference in quality between Iranian and California pistachios," he said. "Since Japanese consumers value quality, we are optimistic our market share will grow." ■

How To Do Business With the Japanese

Strong growth in per capita income, a stronger yen in the international business world and an increased demand for important high-value products make Japan an especially appealing market for U.S. exporters. But cultural differences can make doing business with the Japanese confusing and, at times, frustrating.

Business dealings need not be that way, according to Dr. John L. Graham, who has spent the past 10 years studying, consulting on, writing about and lecturing on international business negotiations. Much of that time has been focused on Japan.

Graham is an associate professor of Marketing and International Business at the University of Southern California's School of Business. He also is a research associate with the International Business Education and Research program at the University of Southern California. With Yoshihiro Sano, he has written two books, ***Smart Bargaining, Doing Business With the Japanese*** *and, for Japanese managers,* ***American Negotiating Techniques.***

This month, ***Foreign Agriculture*** *talks with Graham about cultural differences and how to overcome them.*

Foreign Agriculture: How do Japanese and U.S. business people differ in their approaches to business negotiations?

Graham: U.S. and Japanese business people come to the negotiating table for different reasons. U.S. business people come to the table to make a deal. That has all kinds of short-term implications—short-term economics and short-term personal relationships.

The Japanese come to the negotiating table to establish a long-term relationship. So U.S. and Japanese business people are usually there at cross purposes.

FA: What is the best way for a U.S. business person to approach the Japanese in order to develop a business relationship?

Graham: If a Japanese seller is going to call on a Japanese buyer, the seller usually goes through a third party for an introduction. These third-party introductions are equally important to U.S. companies trying to sell products in Japan.

". . .business dealings are like a family relationship to the Japanese."

Another important thing to remember is that business dealings are like a family relationship to the Japanese. It goes back to the long-term relationship the Japanese want to develop. Japanese business people won't understand if you have a long-term relationship with them and then begin dealing with a direct competitor. Such a relationship doesn't make sense to them.

FA: What should a U.S. seller expect in the first meeting with a Japanese business person?

Graham: Don't expect to make a sale at the first meeting. Instead, view it as an opportunity to get to know clients on a personal level. It's also an opportunity to gather information on the needs and preferences of the client. That should be the goal of the initial trip.

FA: In negotiations, what are the important things to remember?

Graham: One of the key things I advise U.S. business people to do is put their watches in their pockets before going into a meeting with the Japanese. U.S. business people are always looking at their watches, trying to move things along. This makes the Japanese uncomfortable.

The other thing is to let the Japanese bring up business first. They may want to talk for an hour about golf or the weather. When they feel comfortable with you, *then* they'll bring up business.

If you spend the five minutes most U.S. business people typically spend talking about golf, the weather, the flight over and all that, and then say, "Let's get down to business," the Japanese will feel uncomfortable and possibly insulted.

FA: What are the main differences in the U.S. and Japanese business systems?

Graham: One of the most important differences between the Japanese and the U.S. systems is the fact that U.S. buyers and sellers treat each other the same. Buyers are usually in the stronger position, but in our egalitarian society we treat each other as equals.

In the Japanese business system, buyer-seller relationships are vertical. They have a saying that roughly translates, "Everywhere in the world the buyer is king, but in Japan the buyer is kinger." This means that the buyer has the final word.

The only way for an American to make sense of this vertical relationship is to understand that the buyer, because of the long-term relationship involved, will take care of the seller's interest. The buyer will take into consideration the welfare of the seller in a paternalistic way.

From the Japanese point of view, the deal isn't important. What's important is the relationship and the welfare of both parties, not the short-term profits of one or the other.

What I suggest to people selling agricultural products to Japan is that if the relationship is handled properly from the Japanese perspective, they will take into account the welfare of the U.S. seller as

"The more you understand the Japanese language, the more you begin to understand their culture. . ."

well. That's probably the hardest point for U.S. business people to understand about the Japanese.

FA: We've been told that the Japanese like dealing with the Italians in business negotiations. Why?

Graham: Because the Italians understand the importance of personal relationships in doing business. They spend time getting to know their counterparts.

The problem that the Japanese have with the Americans, and Germans as well, is that business people try to separate the personal from the economic in the United States and Germany. In countries such as Italy and Japan, you can't separate the personal aspect from the business; they're intertwined.

FA: Should U.S. business people ever be aggressive in doing business with the Japanese?

Graham: In a situation where a U.S. company has a product that nobody else produces, it has all the power of the marketplace behind it—even though it's selling.

In that situation, the U.S. seller can get away with being aggressive and make some good deals in the short-run by being tough. The Japanese might buy the product, but as soon as the power relationship changes—and it always does—they likely will turn the tables on the U.S. company.

FA: What are some other tips on negotiating with the Japanese?

Graham: Since the Japanese are very interested in information about the seller's product and company, U.S. sellers should have detailed information with them or take along technical experts who can answer questions.

Once information is exchanged, the next step in negotiations is persuasion. U.S. business people often get rather aggressive in persuasive tactics, using threats like, "If you don't buy it at this price, we'll sell it somewhere else."

The style of persuasion in Japan is the opposite. Confrontation is avoided.

The Japanese approach is to gather information and then think about it. They rarely make a concession at the negotiating table.

FA: How much time will the Japanese take to think about a deal?

Graham: It could be overnight, but it may be longer than that. Basically, the

Japanese have to convince everybody that it's the right thing to do. They make decisions through consensus.

FA: Is it a good idea to take an interpreter into business negotiations?

Graham: Frequently, the Japanese speak English, but it's best to have your own interpreter, particularly for high-level negotiations.

FA: Should U.S. business people try to learn the Japanese language?

Graham: Absolutely. Learning Japanese well enough to use it in business negotiations is difficult, but it's useful in informal settings that are an important part of business with the Japanese.

The more Americans understand the language, the more they begin to understand the Japanese culture and the way they think. That's the first step to understanding a customer.

Right now the U.S. business system places no value on language training. People hire skilled business managers first and if the person has language skills, that's nice but not critical.

Undergraduates at U.S. colleges increasingly are starting to study languages, however. In the past three years, there has been a 45-percent increase in the numbers of undergraduates enrolled in Japanese language training. In 1986, there were 23,000 Americans taking Japanese languages. This is not a lot if you compare it to Spanish or French but still, the number is rising.

FA: As hosts to the Japanese in this country, how should U.S. business people behave?

Graham: Be a cordial host. Try to explain why things work the way they do in the United States.

Putting Your Best Foot Forward

Greetings: Although Japanese customarily bow to each other, they are rarely embarrassed when a foreigner offers to shake hands. A frequently used compromise is a handshake accompanied by a slight bow.

Business Cards: Business cards normally are exchanged when meeting new people in Japan.

Language: Employees of large hotels and restaurants generally speak English. Taxi drivers generally do not. They may require detailed instructions in Japanese regarding your destination. Before leaving the hotel for an appointment, ask someone at the reception desk to write down instructions.

Food: Water and milk are safe to drink; raw or cooked fruits and vegetables also may be eaten safely. Raw meat and fish may be eaten safely in first-class restaurants.

Dining: A Japanese-style dinner is served in many courses and may last for several hours. First, the host raises his sake cup or beer glass in a toast. Then you will be asked to start eating. You should drink the soup, holding the bowl in your left hand. The last three courses usually are rice with pickles, fruit, and dessert and tea. Drinks are served throughout the meal.

Restaurant Bill: The bill generally is not brought to the table; it will be ready for you at the cashier's desk. Expect a 10-percent tax and a 10- to 15-percent service charge.

Tipping: There is virtually no occasion when tipping is expected.

Shoes: Shoes may be worn into all western-style restaurants. At traditional Japanese restaurants and many other sites, you will be expected to remove your shoes. Usually there is a wooden elevation in the entrance hall of such places. You should remove your shoes and put on slippers provided by the establishment before stepping onto the wooden elevation. Before entering a Japanese-style room covered with straw matting, you should remove the slippers and enter in your stockings.

". . .put your watch in your pocket before going into a meeting with the Japanese."

For example, an American might invite a Japanese client to dinner at home. In Japan, that's not done. The host should explain to the guest that this is often done by U.S. businesses.

Another important point to remember with the Japanese is to use informal communications channels between staff members of both companies in making arrangements or relaying information. By discussing cultual differences in advance, many potentially embarassing situations can be avoided.

FA: How can U.S. businesses prepare to do business with the Japanese?

Graham: One U.S. car company is sending its top 2,000 executives through a three-day program on doing business with the Japanese, plus a two-day workshop specifically on negotiating with the Japanese. I think that is an excellent idea. There aren't many U.S. institutions or companies that are doing anything comparable.

What company executives need to think about is who's going to be staffing and running the company 20 years from now. Will the company have people who speak Japanese? Or will company managers still be complaining that they can't get information from their Japanese partners? ■

U.S. Potatoes Make the Grade In the Japanese Market

The export efforts of U.S. frozen potato producers have earned an "A+" in the Japanese market.

The U.S. Potato Board, which represents more than 13,000 U.S. producers, anticipated frozen potato exports to Japan would grow 20 percent a year through 1990, according to Noriko Fukuchi, the Board's director in Japan. But in fact, shipments exceeded the Board's goals in each of the past two years.

In 1986, exports grew at 28 percent, followed by a 36-percent growth in 1987, she said. Not content with the current level of success, the Board has increased its 1990 goal of exporting 120,000 metric tons of potatoes to Japan to 150,000 tons.

According to Sandy Squires, export coordinate for the Board, the boom in U.S. exports of frozen potatoes can be credited to two events, the Targeted Export Assistance (TEA) program and the fall in the value of the dollar. "The combination helped us sell 86,500 tons in 1987—10,000 tons more than we predicted," she said.

Educating Consumers Is Top Goal

According to Fukuchi, the Board's TEA program focuses on creating a positive image of U.S. potatoes. "Our research showed that most Japanese consumers have tried and enjoyed U.S. potatoes without knowing that they are U.S. potatoes," she said.

So the Board is working with major restaurant chains to convince them to identify their potato products as U.S. potatoes. "We want consumers to know that a restaurant serves U.S. fries and that they're going to get the best fry on the market," she said.

New Product Holds Great Promise

In addition to the frozen french fry, U.S. producers have introduced a new product, a frozen baked potato, to the Japanese market with great success.

According to Rick Phillips, director of marketing and development for the Idaho Department of Agriculture, the product is the result of a new processing technique in which potatoes are baked, frozen and shipped. When reheated, the product still has the flakiness and texture that make Idaho russet burbank potatoes the top baking potato.

"The advantage, especially for food service companies, is that it is easy to prepare," he said. "They can simply take a potato out of the freezer, heat it in a conventional or microwave oven and have a baked potato in a short time."

The process opens a whole new market for U.S. exporters because it is the only way whole potatoes can enter Japan. The Japanese plant quarantine regulations forbid imports of fresh potatoes from the United States.

The Japanese food service industry has used the product for nearly two years. A large restaurant chain called Skylark uses the baked potato as a basic menu item, adding a variety of toppings such as cheese, vegetables and even hot dogs, according to Phillips.

He believes it will be popular with the many small, independent restaurant owners who want to diversify their menu selection. "Buyers see it as a convenient, easy-to-serve product," he said. "Also, portion control is simple—you can get exactly the size of potato you want."

Meeting Consumers' Needs

Another advantage, according to Squires, is the health aspect. "Since the product is baked instead of fried, it appeals to the growing nutrition consciousness of Japanese consumers," she said.

After achieving success with the Japanese food service industry, the Board is now working with a major Japanese supermarket chain to tackle a new goal—increasing the amount of potato products consumed at home.

"Products used at home account for only 10 percent of U.S. potato product sales," Fukuchi said. "Our aim is to expand in-home use."

To do that, however, U.S. processors may have to change the package size and materials. "Since Japanese consumers spend one-quarter of their income for food, they demand top quality, even for packaging," Squires said. "Japanese consumers are used to buying products in kilograms, not pounds, and they prefer transparent packaging so they can see what they're buying." ■

Are There Oodles of U.S. Noodles In Japan's Future?

Entering a new market and challenging subsidized competition is never easy, but the National Pasta Association is ready to compete for a share of the promising Japanese noodle market.

The Association is in the first stages of its market development program for U.S. pasta in Japan, according to Joseph M. Lichtenberg, president of the National Pasta Association in Arlington, Va.

Based on the results of a market research study, the Association is sponsoring a visit to Japan by a trade team of chief executive officers.

"We found that there is a place for U.S. pasta in the Japanese market," Lichtenberg said. "The research showed that the flourishing Japanese economy and consumer eating habits make U.S. pasta a natural in this market."

The research and promotion activities are funded, in part, by the U.S. Department of Agriculture's Targeted Export Assistance (TEA) program which helps fund overseas promotion activities for more than 30 U.S. agricultural products.

"Until recently, we were not an export-oriented industry," Lichtenberg said. "In fact, only about 2 percent of U.S. production was exported. With U.S. consumption rising, most of our manufacturing members believed they were doing well to serve domestic needs."

Moving Into the Japanese Market

But the Association also had some companies—both large and small—which were interested in developing the Japanese market. With research indicating market potential, the Association will approve some brand-specific promotion programs in Japan.

Lichtenberg is optimistic about the potential for U.S. pasta in the Japanese market. Research shows imports could reach about 50 million pounds a year.

"That in itself is not terribly significant because the United States manufactures about 3.3 billion pounds each year," he said. "However, Japan has demographic and consumption characteristics that could make the market quadruple."

On the demographic side, the Japanese economy is prosperous, fostering a well-developed middle class. The Association's research found that consumers prefer high quality, and, in general, have a positive attitude toward products from the United States.

Pasta Fits in Japanese Diet

The Japanese consume a diet rich in complex carbohydrates, with rice and noodles serving as two diet staples. However, the Japanese government's support and protection of domestic rice growers is raising the costs of rice for Japanese consumers, Lichtenberg said.

As a result, consumers are looking for alternative sources of complex carbohydrates. "That is one reason why consumption of U.S. potatoes is steadily increasing in Japan," Lichtenberg said. "And that's why Italian pasta has gained such a tremendous foothold in the Japanese market in the past five years."

Italian pasta offers formidable competition, according to Lichtenberg. One problem the U.S. industry must overcome is the attitude of some Japanese consumers who believe ". . .if it's not Italian pasta, it can't be good," he said. "And the irony is that over 30 percent of Italian pasta is made from North American wheat."

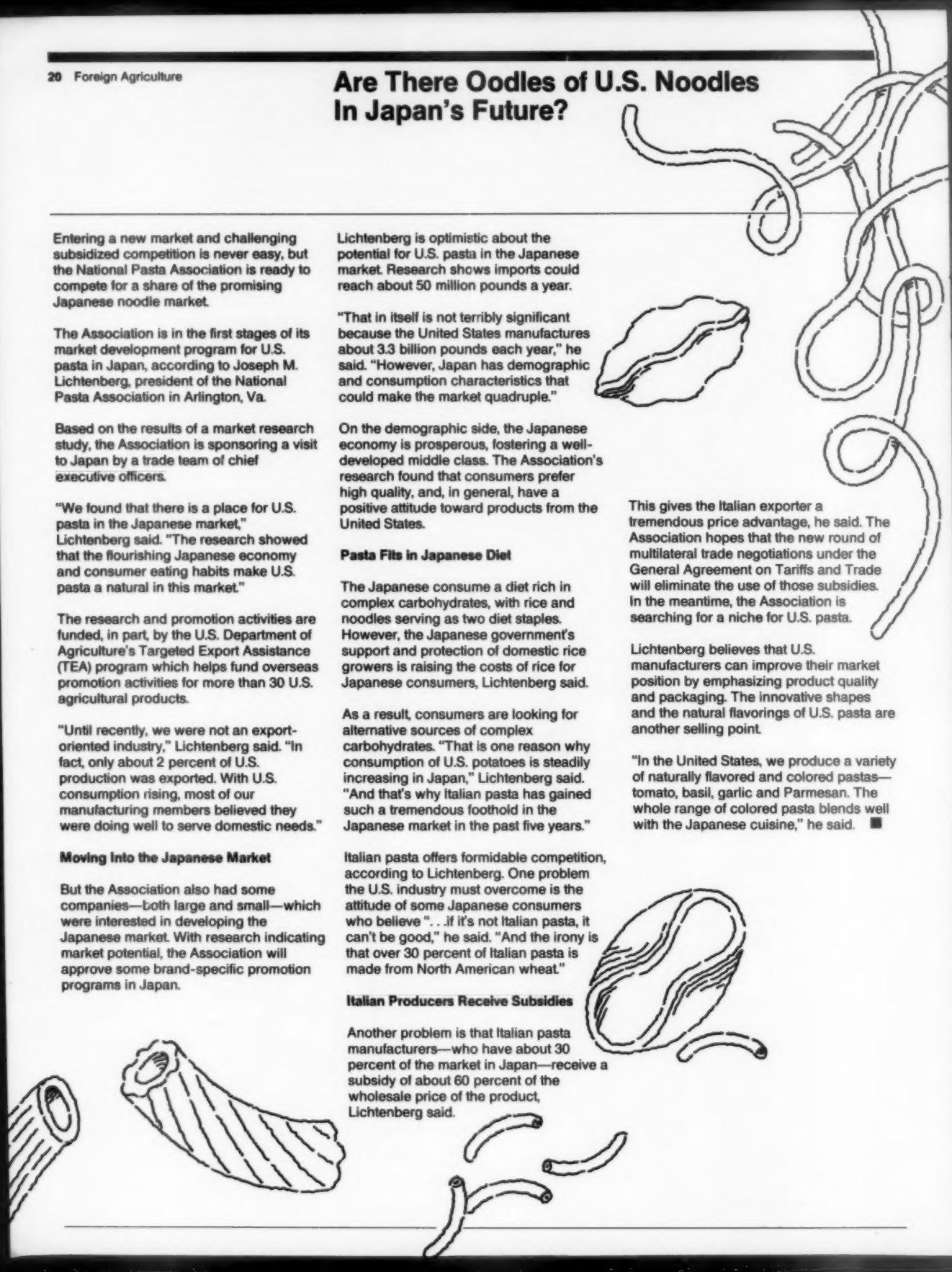
Italian Producers Receive Subsidies

Another problem is that Italian pasta manufacturers—who have about 30 percent of the market in Japan—receive a subsidy of about 60 percent of the wholesale price of the product, Lichtenberg said.

This gives the Italian exporter a tremendous price advantage, he said. The Association hopes that the new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade will eliminate the use of those subsidies. In the meantime, the Association is searching for a niche for U.S. pasta.

Lichtenberg believes that U.S. manufacturers can improve their market position by emphasizing product quality and packaging. The innovative shapes and the natural flavorings of U.S. pasta are another selling point.

"In the United States, we produce a variety of naturally flavored and colored pastas—tomato, basil, garlic and Parmesan. The whole range of colored pasta blends well with the Japanese cuisine," he said. ■



Country Briefs

China

Shift from Pork Fats to Vegetable Oils Spurs Import Demand

China ranks as one of the top two importers of vegetable oil in the world, the result of its desire to keep pace with growing consumer demand and also to limit the inflationary trends in prices. The rising demand is sparked by increasing incomes and the wish to purchase and consume more vegetable oil rather than pork fat, as well as the general rise in population.

The chief constraint to further expansion of imports by China lies in its port and refining capacities. Over the past year, bottlenecks in refining facilities reportedly have resulted in the refining of some oils in other countries as well as more packaging in drums. The mix of China's oil purchases most likely will continue to be a function of the differences in prices of the various oils and, to some extent, taste. The Chinese palate prefers strong-flavored oils with preference given to partially refined rapeseed, peanut and soybean oil with sunflowerseed oil at an obvious disadvantage.—*David M. Schoonover, Agricultural Counselor, Beijing.*

Egypt

Feed Grain Market Enhanced By Consumer Demand for Meats

The growing demand for livestock and poultry products in Egypt has created a large potential market for feed grains. Great success has been made in encouraging poultry production, but efficient beef and dairy feeding programs are only beginning—in large part with the help of the U.S. Feed Grains Council. Sheep and goat feeding also show potential in Egypt as do modern rabbit production operations and perhaps even camels, which are a large source of meat. Exporters interested in breaking into the market should concentrate on private sector producers and importers because it is with them that large increases in volume can occur.

Already in the corn sector there has been a dramatic change in usage patterns. Traditionally corn was the staple food of Egypt's rural population. However, as a result of the burgeoning demand for meat in the cities, corn is now used almost solely as a feed. Only a small amount of corn is now used for human consumption, and this corn is mainly eaten roasted. The poultry industry is the main consumer with the rest going to dairy and beef cattle. A great deal also is fed as whole grain, especially to animals on small farms and to the ubiquitous donkeys and horses.

Corn is much more expensive than the wheat grown in Egypt, much of which also is used as feed. The demand for beef is so great that shortages frequently occur and prices are bid to extremely high levels.

In 1986, major changes were made regarding imports of corn. The private sector was given the ability to import corn and sell at free-market prices. Also, the responsibility of importing government corn was moved from the Ministry of Supply to the Ministry of Agriculture. In actual fact, little has changed because of these two moves. In 1987, the private sector imported about 300,000 tons of corn but could not import more because cheap government corn was obviously preferred. Shipments by the private sector must be precisely timed to fill gaps in government arrivals or the corn will not be sold. The change in responsibility for imports was thought to be the first step in the rapid removal of all government involvement in corn trading, but this is not happening. Further, the lack of foreign exchange has caused even more serious shortages than in the past.

Most of the corn imported into Egypt comes from the United States. France did, however, sell 100,000 tons for the first time in 1987. Almost all corn, private and public, is purchased without credit.—*Guy L. Haviland, Jr., Agricultural Counselor, Cairo.*

Indonesia

New Crushing Facility To Spur Soybean Imports

Indonesia's soybean imports in the recent past have averaged about 350,000 annually, with China the largest supplier. In 1988, a soybean crushing plant is to begin operation, which is expected to use an additional 350,000 tons of imported soybeans annually. This will eventually boost imports of soybeans to 700,000 tons annually, while reducing imports of soybean meal. The crushing facility provides the opportunity for U.S. soybeans to maintain a significant share of the market, as consistency and reliability of supply are important for the operation.

Imports of U.S. soybeans were already showing a dramatic increase through March 1 of the 1987/88 marketing year. This was due to a P.L. 480 program, commercial imports for human consumption and imports for use in the new soybean crushing facility.—*Kenneth L. Murray, Agricultural Attache, Jakarta.*

Mexico

Growing Beer Exports Spur Demand for Barley Imports

Mexico's growing beer exports present an opportunity for increased sales of U.S. malting barley, malts and hops. While domestic beer consumption has declined because of tough economic conditions, consumption by Mexico's growing tourist trade has gone up, and exports of Mexican beer have significantly expanded. Mexican beer exports to the United States for example, rose from 148 million liters in 1986 to about 255 million in 1987. Overall Mexican beer exports are up 80 percent in 1987 over 1986.

This upward trend in beer exports is expected to continue in 1988/89, although probably at a reduced rate. As a result, Mexico's demand for malting barley is expected to show a slight increase in 1987/88. Malting barley, malts and hops are eligible for inclusion in USDA's Export Credit Guarantee Programs.—*Leon G. Mears, Agricultural Counselor, Mexico City.*

Peru

More Protein Feeds Needed For Growing Poultry Sector

With a rapidly expanding poultry sector, Peru's demand for protein meal is expected to be strong during 1988 and 1989. Part of this demand will be met by expected larger domestic production of fishmeal and cottonseed meal, but most will have to be imported in the form of soybeans, and, to a greater extent, soybean meal.

The availability of food at low prices, particularly poultry meat which is important in the Peruvian diet, is a top priority of the government. Poultry production, pegged at 16 million birds monthly in January 1988, is expected to swell to an estimated of 18 million monthly as of June. The current government program calls for imports of 180,000 tons of soybean meal for calendar 1987, but demand could go even higher. Part of these imports likely will be supplied by the United States.

However, Peru's ability to finance these imports rests heavily on its foreign exchange reserves, which are very low due to worsening economic problems. During the past two years, real per capita incomes have jumped significantly, due mostly to deficit government spending. However, this has resulted in rapid inflation (forecast at 300 percent for 1988), and a decline in foreign exchange reserves to critical levels.—*Gary C. Groves, Agricultural Attache, Lima.*

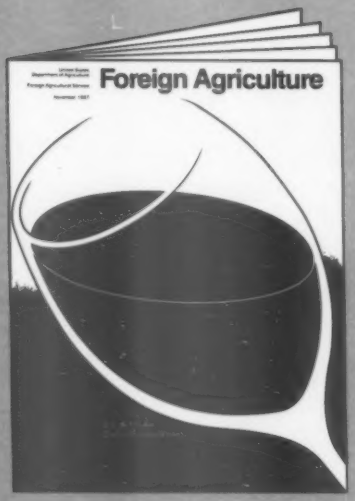
Venezuela

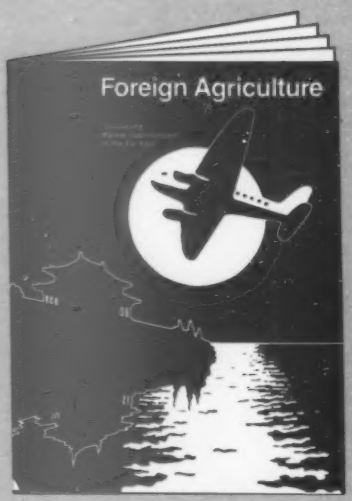
Rise in Wheat Use Could Aid U.S. Sales

Wheat is now the most important food grain in Venezuela's national diet, surpassing corn for the first time during 1987. This occurred despite government policies designed to curb imports and shift consumption to locally produced corn and rice.

In late 1986, the government decreed that wheat flour had to be blended with 10 percent "national" flour—corn or rice—but by mid-1987, scarce supplies of these two flours caused the decree to be ignored. (Bad weather cut the corn crop while mistimed policies sharply reduced rice output.) In late 1987, faced with shortages of corn flour and rice, the government permitted an additional 150,000 tons of wheat imports. During the 1988 election year it is unlikely that any government action will be taken to reduce supplies of what has become the most important—and reliable—food grain.

The baking industry uses about 70 percent of all wheat imports. Traditionally it uses northern spring wheats from either the United States or Canada, but during 1987 it had to learn to cope with a lower protein product from Argentina. Most flour sold contains a blend of these two types. The pasta industry absorbs about 25 percent of total imports, including all of the durum (around 15 percent of total imports). Durum is used for long pastas, and northern spring wheats (another 10 percent of imports) are used for short pastas. The confectionery industry takes the remaining 5 percent of wheat supplies, which is mostly soft wheats for cakes and cookies.—*Lloyd J. Fleck, Agricultural Counselor, Caracas.*





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